

PROPERTY CONDITION REPORT

Property Name: Epic Brookside Apartments

Location: College Park, Georgia

Prepared for:

MacRae Development, LLC

Atlanta, Georgia

Prepared by:

Newbanks, Inc.

Construction/Property Condition Consultants

Job # S7126/04

December 18, 2004

Mr. Douglas M. Linneman
MacRae Development, LLC
1902 Brookhaven Circle, NE
Atlanta, Georgia 30319

Reference: ***Epic Brookside Apartments***
 5420 Riverdale Road
 College Park, Georgia 30349

Dear Mr. Linneman:

At your request, we performed a Property Condition Survey at the referenced project beginning on December 13, 2004. The purpose of our observation was to review the overall condition of the Epic Brookside Apartments and related site improvements in accordance with our Standard Scope of Work Guidelines and in accordance with Georgia Department of Community Affairs requirements. The information contained in this report is accurate and can be relied upon as a true evaluation of the existing conditions of the property. Furthermore, Newbanks, Inc. states that the Georgia Department of Community Affairs can rely on this report and the contents therein.

We appreciate the opportunity to provide this report for MacRae Development, LLC and hope that the comments contained herein will prove useful. Should you have any questions or comments regarding this report or the subject property, please do not hesitate to call.

Very truly yours,

NEWBANKS, INC./ATLANTA

A handwritten signature in dark ink, appearing to read 'SEH', with a stylized flourish extending from the end.

Steve E. Hamby
SEH/mh
Enclosures

TABLE OF CONTENTS

I.	EXECUTIVE SUMMARY
A.	General Description
B.	General Condition
C.	Estimated Required Repairs (Immediate)
D.	Recommendations
II.	PURPOSE AND SCOPE
A.	Purpose
B.	Scope
III.	DESCRIPTION AND CONDITION
A.	Site
1.	Utilities
2.	Parking, Paving & Sidewalks
3.	Storm Sewer/Drainage Systems
4.	Landscaping & Topography
5.	Site Amenities
6.	General Site Improvements
B.	Substructure and Superstructure
1.	Foundations
2.	Superstructure & Breezeway/Stair Systems
3.	Roof Structures & Roofing
4.	Exterior Walls & Balconies
5.	Exterior Windows & Doors
C.	Interior
1.	Finishes
2.	Furniture, Fixtures & Equipment
D.	Mechanical, Plumbing, & Electrical Systems
1.	Building Mechanical
2.	Building Plumbing
3.	Building Electrical
E.	Fire Protection/Life Safety Systems
F.	Other
1.	Compliance with Codes & Regulations
2.	ADA Review
3.	Environmental Concerns
IV.	ADEQUACY OF SYSTEMS
V.	ESTIMATE OF REPLACEMENT COSTS FOR INSURANCE
VI.	ESTIMATED REQUIRED REPAIRS (IMMEDIATE)
VII.	CAPITAL RESERVE ANALYSIS
VIII.	REPORT QUALIFICATIONS
IX.	EXHIBITS
A.	ADA "Quick Look" Barriers Checklist
B.	Site Sketch
C.	Flood Hazard Determination
D.	Capital Reserve Analysis Chart
E.	Fannie Mae DUS Guidelines
F.	Photographs

I. EXECUTIVE SUMMARY

A. General Description:

The Epic Brookside Apartment project is a 210-unit apartment complex located at 5420 Riverdale Road in College Park, Georgia. The floor plans consist of 16 one-bedroom/one-bath units, 92 two-bedroom/two bath units, and 102 two-bedroom/one and a half bath units, of various configurations. The square footage of the units range from 750 square feet to 1,100 square feet. The average unit size is approximately 1,050 square feet. The total heated area square footage calculates to approximately 220,300 square feet. In addition to the apartments, there is a 2,800 square foot space containing the leasing office.

Reportedly, the site contains approximately 19.49 acres and is situated in Clayton County, Georgia. The surrounding area is improved with a commercial area, single-family homes, and other developments. As shown in the attached site sketch, the property is irregular in shape. There is one vehicular access point from Riverdale Road.

Construction of this facility was reportedly started in 1972. Site improvements include twelve apartment buildings, a Leasing Office/Community building, one swimming pool, a play area, a community laundry (attached to the leasing office), perimeter fencing, asphalt parking, and various landscape areas.

Landscaping includes various plantings and a combination of sod, grassed, and mulched areas. Storm drainage is controlled through the sloping of asphalt paved areas to area and curb inlets. Typical site utilities are provided.

The apartment buildings are wood framed and are a combination of two-story and three-story structures. The buildings are founded on a combination of crawl space areas supported with block piers, and reinforced concrete slabs with a combination of monolithic thickened footings and perimeter continuous strip footing for load-bearing walls and concentrated column loads. Exterior finishes are a combination of brick, wood siding, shingle pitched roofs, and wood trim. The building roofs are framed with pre-engineered roof trusses with plywood decking. The roof system can be defined as a pitched shingle roof system utilizing 3-tab fiberglass shingles.

All of the buildings are provided with individual metering for electricity, and a single meter for natural gas and domestic water. The property is provided with other conventional utilities including cable television service, telephone service, and public sewer accessibility.

Interior finishes within the apartment units are typical to apartment construction and include painted sheetrock walls, textured sheetrock ceilings, carpeting, vinyl flooring, and fiberglass surrounds in the bathtub areas. Apartment units have individual appliance packages, heating and cooling, and electrical and plumbing systems. The apartment units are equipped with hard wired smoke detectors with a battery back-up. Reportedly, washer and dryer connections exist in all of the two-bedroom/two-bath units and it is proposed that washer/dryer connections be installed in the remaining units.

B. General Condition:

The property is considered to be in overall good condition. We are of the opinion that the project has been relatively well maintained. Maintenance records were not provided for our review.

No major structural, mechanical, electrical system, or significant settlement problems were noted or reported.

It is our opinion that the remaining useful life for the property can continue for its intended purposes for at least an additional 35 years. This assumes that any current immediate repairs outlined in this report are performed and routine repairs and maintenance are kept up to date. Generally, physical improvements must receive continuing maintenance and the various components and/or systems must be replaced or repaired on a timely as-needed basis.

C. Estimated Required Repairs:

In order for the property to maintain satisfactory performance, we recommend the following capital improvements be addressed:

Recommend/Immediate Repairs/Upgrades

ITEM	QUANTITY	UNIT	UNIT COST	TOTAL COST	COMMENTS
Concrete	900	sq. ft.	\$8.00	\$7,200.00	Remove/replace damaged concrete sidewalks, landings, bridge areas- potential trip hazard
Asphalt	22,000	sq. yds	Repair \$0.70 seal coat	\$30,000.00 \$15,400.00	Repair as needed. Seal Coat and stripe existing asphalt parking and drive areas.
Roofing/Gutters					
Carpentry	LS	LS	LS	\$315,000.00	Remove/replace siding, remove/replace trim and soffit as needed, repair stair systems as needed.
Add Stone	LS	LS	LS	\$189,000	Allowance - Add Coronado Stone accent to select areas of the buildings.
Balcony/Deck	LS	LS	LS	\$52,000	Repair existing decks and balconies as needed.
Exterior Paint	120	each	\$350.00	\$73,500.00	Pressure wash, prep and paint 210 units
Landscape/Drainage/ Erosion	LS	LS	LS	\$50,000.00	Upgrade landscape, address any drainage/erosion areas
Swimming Pool	LS	LS	LS	\$50,000.00	Repair existing pool deck, add main drain.
Playground	LS	LS	LS	\$10,000.00	Upgrade/repair equipment as needed
Plumbing	210	each	\$1,500	\$315,000.00	Replace existing boiler systems with individual water heaters.
Electrical	210	each	\$400.00	\$84,000.00	Repair meter centers, add GFI outlets, upgrade load centers.
HVAC	210	each	\$2,400	\$504,000.00	Replace HVAC systems (some

					condensing units can be saved).
Floor covering	210	each	\$1,050	\$220,500.00	Replace floor coverings in all units.
Cabinets	210	each	\$500	\$105,000.00	Repair/replace cabinets as needed.
Window/Doors	LS	LS	LS	\$291,600.00	Replace windows, add French doors (replace existing SGD) and replace all exterior door units
Appliances	210	units	\$900.00	\$189,000.00	Replace appliance package in 100% of the units.
Apartment Interior Repair	210	units	\$800.00	\$168,000.00	Drywall repair, interior paint, miscellaneous maintenance repairs as needed.
ADA	LS	LS	LS	\$150,000.00	Common area and leasing office - unit modification (as needed to meet DCA guidelines).
Community Bldg./Leasing Off.	LS	LS	LS	\$50,000.00	Upgrade community bldg./leasing office as needed..
TOTAL:				\$2,869,200*	\$13,662 PER UNIT

*Does not include contingencies or fees.

Based on the Capital Reserve Analysis Chart for Epic Brookside Apartments, the average capital expenditure per year (post renovation) is \$43,741.00 uninflated/\$55,048.00 inflated, and the average capital expenditure per year, per unit is \$208.29 uninflated/\$262.13 inflated.

D. Recommendations:

We recommend that items listed in the Immediate Repair section of this report be given priority due to liability issues, life safety issues, and due to the attempt to prevent further damage to building systems.

We recommend that a termite inspection be conducted by a reputable pest control company.

II. PURPOSE AND SCOPE

A. Purpose:

The purpose of our site observation and report was to review and evaluate the overall physical condition of the buildings and site improvements for the subject property in accordance with our Standard Scope of Work Guidelines.

As part of our site observation, an Estimated Repair Expenditures List was compiled on the basis of providing costs to bring the project to a structurally sound, safe, fully habitable, and comparative condition. A Capital Reserve Analysis for a term of 12 years was requested and prepared.

B. Scope:

Newbanks, Inc. conducted a visual site observation of the site, building structure, and of the unit interiors. This observation was conducted to determine the existing condition of the subject property and to prepare a Capital Replacement Reserve for future continued property maintenance.

As a part of the site observation process, we interviewed the property manager and the maintenance supervisor. The phone number at the project site is (770) 996-1377.

III. DESCRIPTION AND CONDITION

A. Site:

1. Utilities:

Description:

Utilities are provided by:

Electrical Service:	Georgia Power
Water and Sewer:	Clayton County
Natural Gas:	Atlanta Gas
Telephone Service:	BellSouth
Trash:	Waste Management (compactor)
Cable TV:	Time Warner/Comcast

Conditions and Comments:

Electrical service is routed underground to the property and then to pad mounted electrical transformers where service is reduced and disbursed to the separate meters located at various locations at each building. Electrical capacity was noted to be 100 and 125-amp to the individual load centers at the apartment units.

Phone service lines enter at the same locations as electrical service. Phone and cable service subscriptions are the responsibility of the tenant.

Domestic water lines enter the buildings at various stub-up locations. Copper domestic water lines are utilized within the building structures.

Fire hydrants are located throughout the site within typical minimum building access distance requirements.

Trash service is contracted to Waste Management. The compactor is located at the front of the site.

2. **Parking, Paving, and Sidewalks:**

Description:

Asphalt paving predominantly identifies parking/drive areas. Concrete curbs are utilized. Concrete sidewalks are used to provide pedestrian accessibility from pavement areas to the buildings and through the courtyards.

The rectangular shaped 19.49-acre site is accessed from one point along Riverdale Road. Parking areas are located primarily in front of buildings.

Condition and Comments:

Overall, the condition of asphalt and concrete sidewalks is considered fair. Differential settlement was noted between adjoining sidewalk sections. We estimate approximately 900 square feet of required repair (liability due to trip hazard). These repairs can typically be accomplished for a square foot cost of \$8.00 (inclusive of removal).

Asphalt paving is considered to be in a serviceable/fair condition. Patching, seal coating, and re-striping of the asphalt is recommended.

The site contains 549 open parking spaces (two of which are designated as handicapped spaces) equating to 2.62 spaces per unit. Parking appears adequate for the site.

As part of sidewalk repair, sidewalk systems should be sloped accordingly at designated handicap parking space locations. Accessibility improvements are a noted immediate repair item.

3. **Storm Sewer/Drainage Systems:**

Description:

Storm drainage associated with parking/drive areas is accomplished through the sloping of pavement surfaces to area inlets located in parking/drive areas. Yard drains and swales are provided within landscaped areas. Area inlets tie into the site storm drainage piping system and are piped to the detention/drainage canal area

located on the site. Ultimately, storm water is deposited into the offsite public storm drainage system.

Conditions/Comments:

Drainage, as related to drives and parking areas, appears to be adequate. According to property management, there have not been major problems with ponding water in the parking lot areas.

4. Landscaping and Topography:

Description:

The site is generally flat with minimal grade changes which is typical for the area. Landscaping is a combination of trees, shrubs, grasses, and sod; most are mature. There is not an irrigation system onsite.

Condition/Comments:

The overall appearance of the site is satisfactory. Landscaping improvements are generally attractive and are being relatively well maintained. Adding of a site irrigation system is not considered to be a high-priority, adding of this system at a later date would be considered a property upgrade.

5. Site Amenities:

Description:

Amenity features for the property include an area which houses the leasing office/community building, a picnic area, one swimming pool, laundry facilities, and a mail kiosk.

Condition/Comments:

The leasing office/community building is in good overall condition (upgrades are a part of the proposed renovation), the pool will require renovation (decking, main drain installation), the laundry facilities are under contract with Coinmach

6. General Site Improvements:

Description:

Project identification signage is found at the main entrance as well as an entry gated system and perimeter fencing.

Condition/Comments:

The signage structure is of masonry construction and was found to be in good overall condition. We understand a property name change is anticipated with new signage monuments.

B. Substructure and Superstructure:

1. Foundations:

Description:

Original construction/structural plans were not provided for our review. It appears that the buildings are founded on a reinforced concrete slab with continuous wall footings at the load-bearing walls.

Condition/Comments:

No significant settlement indications were observed.

2. Superstructure & Breezeway/Stair Systems:

Description:

Basic construction features utilize wood frame wall construction on the concrete slab. The upper floors consist of a combination of lightweight concrete and plywood decking. We confirmed the use of site built pre-engineered roof trusses. The common stairs and landings are wood constructed structures.

Conditions/Comments:

No significant problems were noted with the condition of the floors or framing. All systems appear to be functioning properly. In the event of major structural movement or settlement, the occurrence of cracks would be evident and there would typically be obvious areas that are out of level and out of plumb. This project does not exhibit any of this type of structural distress based on our visual observations.

3. **Roof Structures and Roofing:**

Description:

Roof framing consists of wood pre-engineered roof trusses (discussed above) with plywood decking. The roof system can be defined as a pitched shingle roof system utilizing 3-tab fiberglass shingles. Gutters are provided for drainage.

Draft stops were noted within the attic areas (every 10 units). The draft stops are of drywall and masonry construction. Attic insulation was noted to be blown in fiberglass type material (6"-8").

Condition/Comments:

The overall condition of the roofing shingles is considered good and reportedly, are 2-5+ years of age. Due to age of the shingles, wholesale replacement of the shingle roofing is not anticipated during the renovation process. We did not observe the use of problematic fire retardant treated plywood in any of the structures observed.

We did note adequate ventilation for the roof systems. A combination of vent ridge, roof mounted vents and gable vents are utilized.

Aluminum 5" gutters are utilized on the buildings. Most of these gutters were in need of cleaning.

4. **Exterior Walls and Balconies:**

Description:

Exterior walls are comprised primarily of brick and RB&B wood siding with wood trim boards and accessories. These materials are installed over wood framing and insulation board.

Conditions/Comments:

We found the brick to be in good overall condition and the siding and trim to be in fair condition. Repair/replacement of the siding and trim is anticipated during the renovation process.

5. Exterior Windows and Doors:

Description:

Windows are typical single-hung, aluminum frame, non- insulated units.

Apartment entry doors are smooth surface hollow core units. Deadbolt locks and door viewers are in place.

Conditions/Comments:

Overall, the condition of the doors was found to be fair, the windows are considered to be in poor condition. We recommend replacement of the doors and windows as a part of the proposed renovation.

C. Interior:

The following chart is a square footage breakdown of the various unit types:

Unit Mix

UNIT TYPE	DESCRIPTION	# OF UNIS	UNIT SF	TOTAL SF
1x1	One-Bedroom/One-Bath Garden	16	750	12,000
2x2	Two-Bedroom/Two-Bath Garden	92	1,100	101,200
2x1.5	Two-Bedroom/One and a half Bath Garden	102	1,050	107,100
Total:		210	1,050 (Avg)	220,300

1. Finishes:

Description:

Interior walls and ceilings are typically painted drywall. The ceilings have a textured finish, the walls are smooth and painted. Floor coverings consist of carpet in the living room and bedroom areas. Vinyl floor tile is used in the kitchen and bath areas. Interior trim consists of typical baseboard and hollow core flush doors. The bathtubs are fiberglass with fiberglass surrounds.

Condition/Comments:

Overall, the condition of the interior finishes in the units is considered to be good (based on the units observed at the time of our site visit).

Newbanks, Inc. completed a unit observation consisting of 10% of the units. Reportedly, there were 41 vacant units at the time of our site visit.

The following is a sampling of unit conditions encountered during our site observation:

UNIT #	OVERALL CONDITION			FLOOR COVERING			APPLIANCES			CABINETS			FIXTURES		
	G O O D	F A I R	P O O R	G O O D	F A I R	P O O R	G O O D	F A I R	P O O R	G O O D	F A I R	P O O R	G O O D	F A I R	P O O R
C-15		✓			✓			✓	✓		✓			✓	
E-15		✓			✓			✓			✓			✓	
D-1		✓			✓			✓			✓			✓	
E-5		✓			✓			✓			✓			✓	
D-8		✓				✓		✓			✓			✓	
F-15		✓				✓		✓			✓			✓	
G-14		✓		✓			✓				✓			✓	
G-8		✓			✓			✓			✓			✓	
G-10		✓				✓		✓						✓	
G-2		✓			✓			✓			✓			✓	

2. **Furniture, Fixtures, & Equipment:**

Description:

Appliances furnished for the kitchens are manufactured by various manufacturers (Hotpoint/GE, Whirlpool, etc.). The kitchen appliances include a frost-free refrigerator, a 30" electric range, trash compactor (select units), and a vent hood. Wood veneer kitchen and bath cabinets have post-formed laminate countertops.

The leasing office is located in an area near the front of the property. The leasing office is provided with typical office equipment (i.e., desks, chairs, PCs , etc.).

Condition/Comments:

Replacement of appliances has generally occurred on an as-needed basis. Age related replacement can be anticipated and is addressed in both the Immediate and Capital Reserve Analysis Chart.

Leasing office equipment is in relatively good repair. Replacement of furnishings within the office area and updating of finishes within the leasing office is considered a marketing operation property cost. These costs are not addressed in cost tables presented within this report.

D. Mechanical, Plumbing, & Electrical Systems:

1. Building Mechanical:

Description:

HVAC is provided by individual split systems with a combination electric and gas (one bedroom units only) heat. The air handling/furnace units are situated in mechanical closets and in the ceiling areas within the units. The air-conditioning units are pad-mounted equipment typically located on the ground.

Conditions/Comments:

A majority of the HVAC air handling equipment was noted to be original with the exception of a few units. The condensing units vary in age and manufacturer with approximately 30% noted to be original equipment. The average life of the condensing units is 12 years. Equipment replacement and upgrade of the original equipment is recommended and is a part of the proposed renovation plan.

2. Building Plumbing:

Description:

Plumbing plans were not available for our review. Based on our review of the exposed piping, we observed that the domestic water systems consist of copper plumbing within the units - galvanized mains were reported by the maintenance staff.

Gas fired commercial water heaters are utilized to supply domestic hot water for the units. The sanitary sewer drains are a combination of cast iron and PVC, and are gravity flow to the County/City sanitary sewer system.

Plumbing is provided with conventional fixtures at the kitchen and bath areas. Double-bowl stainless steel sinks are used in the kitchens. The bathroom lavatories are enameled steel and set in the countertops and wall hung. Bathtubs are of steel with fiberglass surrounds.

Condition/Comments:

The plumbing system utilized is typical of this type of construction and is in overall good condition. Reportedly, gas fired commercial water heaters will be replaced with individual electric units as a part of the renovation.

3. Building Electrical:

Description:

Electrical service is provided by underground wiring to pad mounted transformers where it is disbursed to the individual meters for the apartment units. Each apartment unit is provided with either a 125-amp service, or a 100-amp service (one bedroom units with load centers by ITE). This is sufficient for the existing electrical equipment and appliances in the apartments plus domestic wiring for resident supplied equipment and appliances. We anticipate the need for load center upgrades and additions if the units are converted to total electric. The wiring was noted to be copper at the branches for the electrical devices and light fixtures. The service cable as well as branch wiring for the electric stove and the electric water heaters is aluminum. All wiring systems are typical for this type of construction. Interior lighting is fairly conventional and consists of a combination of fluorescent fixtures in kitchen areas, incandescent fixtures in foyers and bathrooms, and switch controlled outlets for lamp lighting with lamp equipment provided by the residents.

Buildings have house meters to provide for common area electrical needs. This is normally associated with site, building, and corridor lighting.

Condition/Comments:

The overall condition of the electrical systems is considered to be good. We did not note GFI outlets in the bath areas. We would recommend addition of these devices in the kitchen areas as a part of the renovation process.

E. Fire Protection/Life Safety Systems:

Description:

Fire protection includes hardwired smoke detectors with battery back-up and individual fire extinguishers.

Condition/Comments:

Smoke detectors in the units observed appear to be in good working condition and all were in place. All individual fire extinguishers should be routinely inspected.

F. Other:

1. Compliance With Code & Regulations:

It appears that the property is in general compliance with the current building codes. As part of our site observation, we made contact with the Clayton County Building Inspection Department and the local Fire Department. Per our conversation with the inspector, no outstanding violations exist on this property.

The Flood Determination Report and Survey attached to this report indicated the property is not located within a flood zone requiring Flood Hazard Insurance. The flood zone determination for the property is X.

2. ADA Review:

The project was constructed prior to the enactment of the Americans with Disabilities Act, however, we found no modifications and alterations to provide access relating to current compliance requirements. Units (5% = 11 units) will be retrofitted to meet Georgia Department of Community Affairs handicapped

accessibility requirements, and 2% will be retrofitted to meet the sight and hearing requirements. The leasing office/community building does not currently meet ADA guidelines. This building, the pool, and community laundry will require upgrade as a part of the renovation to meet current ADA requirements. We have completed the ADA "Quick Look" Barriers Checklist and include it as an attachment to this report.

3. **Environmental Concerns:**

It is our understanding that an environmental report is to be prepared by others. No readily apparent environmental concerns were noted during our site observation. We consider the property's potential damage due to catastrophic elements (i.e., tornado) to be typical to other developments within the area.

Termite infestation was noted to be a potential problem (some wood/ground contact) at the subject property (no evidence of damage in units was observed).

No sinkhole activity was indicated present within immediate areas. The general drainage away from the structures appeared good, a primary factor in sinkhole related causes. We note the provision of a geotechnical report was beyond the scope of the work of this report.

IV. ADEQUACY OF SYSTEMS

We are of the opinion that the property's HVAC, electrical, plumbing, drainage, and other building components are in need of repairs as previously outlined. Following completion of these repairs, generally, the building systems should function properly over their specified term with normal preventive maintenance, repairs, and replacements. The Capital Reserve Analysis Chart identifies funds estimated for normal age related replacements.

V. ESTIMATE OF REPLACEMENT COSTS FOR INSURANCE

Our estimate of insurable value for the property is based on a net rentable area of 220,300 square feet plus an assumed area of about 2,800 square feet for the other amenity areas (office area). For estimating purposes, we have assumed about 223,100 square feet of space. Our estimate is also based on only the building replacement and does not include site work beyond 5' of the face of the buildings, underground utilities such as sewer, water, and electrical, and tenant personal effects. These items are typically salvageable, not a factor in terms of catastrophic loss, or covered by the tenant's insurance. We have also assumed that the concrete slabs would typically survive a fire disaster.

Typical costs for this type of project range between \$40.00 and \$55.00 per square foot for building heated area improvements. Costs will vary due to economic considerations, locations, and construction activities in the local market. We estimate current building replacement costs for this project would be appropriate at \$50.00 per square foot for a total of approximately \$11,155,000.00.

VI. ESTIMATED REQUIRED REPAIRS

In order for the property to maintain satisfactory performance, the following capital improvements are recommended to be addressed:

Recommend/Immediate Repairs/Upgrades

ITEM	QUANTITY	UNIT	UNIT COST	TOTAL COST	COMMENTS
Concrete	900	sq. ft.	\$8.00	\$7,200.00	Remove/replace damaged concrete sidewalks, landings, bridge areas- potential trip hazard
Asphalt	22,000	sq. yds	Repair \$0.70 seal coat	\$30,000.00 \$15,400.00	Repair as needed. Seal Coat and stripe existing asphalt parking and drive areas.
Roofing/Gutters					
Carpentry	LS	LS	LS	\$315,000.00	Remove/replace siding, remove/replace trim and soffit as needed, repair stair systems as needed.
Add Stone	LS	LS	LS	\$189,000	Allowance - Add Coronado Stone accent to select areas of the buildings.
Balcony/Deck	LS	LS	LS	\$52,000	Repair existing decks and balconies as needed.
Exterior Paint	120	each	\$350.00	\$73,500.00	Pressure wash, prep and paint 210 units
Landscape/Drainage/ Erosion	LS	LS	LS	\$50,000.00	Upgrade landscape, address any drainage/erosion areas
Swimming Pool	LS	LS	LS	\$50,000.00	Repair existing pool deck, add main drain.
Playground	LS	LS	LS	\$10,000.00	Upgrade/repair equipment as needed

Plumbing	210	each	\$1,500	\$315,000.00	Replace existing boiler systems with individual water heaters.
Electrical	210	each	\$400.00	\$84,000.00	Repair meter centers, add GFI outlets, upgrade load centers.
HVAC	210	each	\$2,400	\$504,000.00	Replace HVAC systems (some condensing units can be saved).
Floor covering	210	each	\$1,050	\$220,500.00	Replace floor coverings in all units.
Cabinets	210	each	\$500	\$105,000.00	Repair/replace cabinets as needed.
Window/Doors	LS	LS	LS	\$291,600.00	Replace windows, add French doors (replace existing SGD) and replace all exterior door units
Appliances	210	units	\$900.00	\$189,000.00	Replace appliance package in 100% of the units.
Apartment Interior Repair	210	units	\$800.00	\$168,000.00	Drywall repair, interior paint, miscellaneous maintenance repairs as needed.
ADA	LS	LS	LS	\$150,000.00	Common area and leasing office - unit modification (as needed to meet DCA guidelines).
Community Bldg./Leasing Office	LS	LS	LS	\$50,000.00	Upgrade community bldg./leasing office as needed.
TOTAL:				\$2,869,200*	\$13,662 PER UNIT

*Does not include contingencies or fees.

VII. CAPITAL RESERVE ANALYSIS

Based on the Capital Reserve Analysis Chart for Epic Brookside Apartments, the average capital expenditure per year (post renovation) is \$43,741.00 uninflated/\$55,048.00 inflated and the average capital expenditure per year, per unit is \$208.29 uninflated/\$262.13 inflated. A 3% inflation factor is assumed.

Comments and Assumptions

Item 1 - Asphalt Seal Coat:

Estimated Area – 22,000 square yards
Cost -\$0.70 per square yard
Timing - Years 5 and 11

Item 2 - Exterior Paint:

Estimated Area - 210 units
Cost - \$350.00 per unit
Timing - Years 5 and 11

Item 3 - Roofing:

Wholesale replacement is a not part of proposed renovation. Unit replacement is not anticipated during the 12-year term outlined in the Capital Reserve Analysis.

Item 4 - Condensing Units:

of Units - 50
Cost - \$650.00
Timing - Years 8-12

Item 5 - Carpet:

Estimated Area - 210 units
Cost - \$850.00 per unit
Timing - Years 4-12

Item 6 - Vinyl Flooring:

Estimated Area - 210 units
Cost - \$200.00 per unit
Timing - Years 4-12

Items 7-9 - Appliances:

Appliance	Unit Cost	Rate of Replacement per Year	Start of Replacement (Year)
Stove	\$260.00	5	Years 9-12
Refrigerator	\$525.00	5	Years 9-12
Dishwasher	\$200.00	5	Years 9-12

Item 10 - Furnace:

#Units - 5
Cost - \$600.00
Timing - Years 11 & 12

Item 11 - Water Heater:

#Units - 10
Cost - \$300.00 per unit
Timing - Years 11 & 12

VIII. REPORT QUALIFICATIONS

Pursuant to your request, Newbanks, Inc. conducted an onsite property condition site observation of the Epic Brookside Apartments beginning on December 13, 2004. We understand that the primary interest of MacRae Development, LLC is to evaluate the condition, quality, adequacy, deficiencies, and needs for repairs or maintenance. The site observation was performed and a report was prepared in accordance with our Standard Scope of Work Guidelines.

No material testing, either destructive or nondestructive, was performed and no calculations were performed to determine the adequacy of the facility's original design. It is not the intent of this analysis to perform an exhaustive study in order to locate every existing defect. "Walk through" observations were made by a trained professional, but there may be defects at the development which were not readily accessible, visible, or which were inadvertently overlooked. Other problems may develop with time which were not evident at the time of the study. It is also expected that maintenance repairs will continue to be capitalized as an operating cost.

This report is for the exclusive use of MacRae Development, LLC, and no other party shall have any right to rely on a service provided by Newbanks, Inc. without prior written consent. Reports without attached photographs should be considered as being incomplete.

The recommendations stated in this report should not be construed in any way to constitute a warranty or guarantee regarding the current or future performance of any system observed. Values indicated on the Capital Reserve Analysis Chart and in the Immediate Repair List are based on cost estimates and do not constitute a bid to perform the work.

IX. EXHIBITS

Exhibit "A"	ADA "Quick Look" Barriers Checklist
Exhibit "B"	Site Sketch
Exhibit "C"	Flood Hazard Determination
Exhibit "D"	Capital Reserve Analysis Chart
Exhibit "E"	Fannie Mae DUS Guidelines
Exhibit "F"	Photographs

EXHIBIT "A"
(ADA "Quick Look" Barriers Checklist)

Epic Brookside Apartments
SCHEDULE 2 -
ENGINEERING SCOPE OF WORK GUIDELINES SUPPLEMENT
ADA "QUICK LOOK" BARRIERS CHECKLIST

BUILDING HISTORY		Yes	No	N/A	COMMENTS
1.	Has the Borrower previously completed an ADA review?		X		
2.	Does an ADA compliance plan exist for the property?		X		
3.	Has the plan been reviewed/approved by outside Agencies (engineering firms, building department, other agencies)?			X	
4.	Have any ADA related complaints been received in the past?				Not known

BUILDING ACCESS		Yes	No	N/A	COMMENTS
1.	Are there an adequate number (per regulation) of wheelchair-accessible parking spaces available (96" wide/60" aisle)?		X		
2.	Is there at least one wheelchair-accessible van parking space (96" wide/96" aisle) for every 8 standard accessible spaces?		X		
3.	Are accessible parking spaces located on the shortest accessible route of travel from an accessible building entrance?		X		
4.	Does signage exist directing you to wheelchair-accessible parking and an accessible building entrance?		x		
5.	Is there a ramp from parking to an accessible building entrance (1:12 slope or less)?		x		
6.	If the main entrance is inaccessible, are there alternate accessible entrances?	X			rear of some units
7.	Is the accessible entrance doorway at least 32" wide?	X			
8.	Is the door handle easy to open (level/plush type knob, no twisting required, no higher than 48" above floor)?	X			
9.	Are entry doors other than revolving doors available?	X			

BUILDING CORRIDORS		Yes	No	N/A	COMMENTS
1.	Is the path of travel free of obstruction and wide enough for a wheelchair (at least 60" wide)?	X			
2.	Are floor surfaces firm, stable and slip resistant carpets "wheelchair friendly"?	X			
3.	Do obstacles (phones, fountains, etc.) protrude no more than 4" into walkways or corridor?			X	
4.	Are elevator controls low enough to be reached from a wheelchair (48" from approach/54" side approach)?			X	
5.	Are there raised elevator markings in Braille and Standard Alphabet for the blind?			X	
6.	Are there audible signals inside cars indicating floor change?			X	
7.	Do elevator lobbies have visual and audible indicators of car arrival?			X	
8.	Does elevator interior provide sufficient wheelchair turning area (51"x68" minimum)?			X	
9.	Is at least one wheelchair-accessible telephone available?			X	
10.	Are wheelchair-accessible facilities (restrooms, exits, etc.) identified with signage?			X	
11.	Are there adequate (and ADA approved) FA visual and audible alarms located throughout the facility?			X	

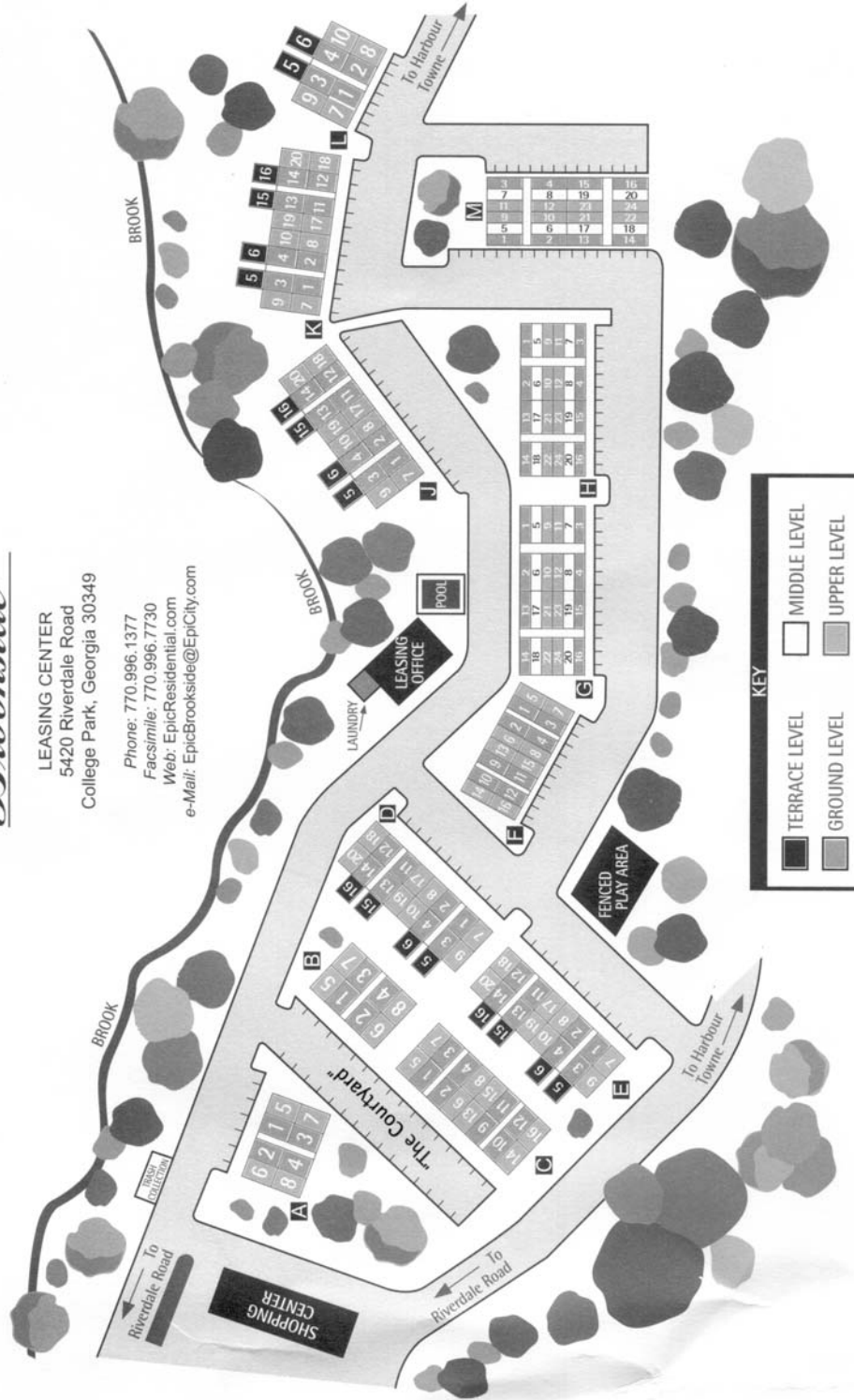
RESTROOMS		Yes	No	N/A	COMMENTS
1.	Are common areas public restrooms located on an accessible route?		X		Leasing office
2.	Are door handles push/pull or lever type?		X		
3.	Are access doors wheelchair-accessible (at least 32" wide)?		X		
4.	Are public restrooms large enough for wheelchair turnaround (60" turning diameter)?		X		
5.	Are stall doors wheelchair-accessible (at least 32" wide)?		X		
6.	Are grab bars provided in toilet stalls (33"-36" above floor)?		X		
7.	Do sinks provide clearance for a wheelchair to roll under (29" clearance)?		X		
8.	Are sink handles operable with one hand without grasping, pinching or twisting?		X		
9.	Are exposed pipes under sinks sufficiently insulated against contact?		X		
10.	Are soap dispensers, towels, etc., reachable (48" from floor for frontal approach, 54" for side approach)?		X		
11.	Is the base of mirror no more than 40" off floor?		X		

EXHIBIT "B"
(Site Sketch)



LEASING CENTER
5420 Riverdale Road
College Park, Georgia 30349

Phone: 770.996.1377
Facsimile: 770.996.7730
Web: EpicResidential.com
e-Mail: EpicBrookside@EpiCity.com



This plan is an artist's rendering and does not necessarily represent as built conditions.

EXHIBIT "C"
(Flood Hazard Determination)

FEDERAL EMERGENCY MANAGEMENT AGENCY STANDARD FLOOD HAZARD DETERMINATION		<i>See the Attached Instructions</i>	<i>O.M.B. No 3067-0264</i> <i>Expires October 31, 2005</i>
SECTION I - LOAN INFORMATION			
1. LENDER NAME AND ADDRESS NEWBANKS INC/ATLANTA 3050 SHALLOWFORD RD SUITE 200 CHAMBLEE, GA 30341		2. COLLATERAL (Building/Mobile Home/Personal Property) PROPERTY ADDRESS <i>(Legal Description may be attached)</i> Submitted Address: EPIC BROOKSIDE 5420 RIVERDALE ROAD COLLEGE PARK, GA 30349	
3. LENDER ID. NO.	4. LOAN IDENTIFIER 5420 RIVERDALE ROAD	5. AMOUNT OF FLOOD INSURANCE REQUIRED \$	
SECTION II			
A. NATIONAL FLOOD INSURANCE PROGRAM (NFIP) COMMUNITY JURISDICTION			
1. NFIP Community Name CLAYTON COUNTY *	2. County(ies) UNINCORPORATED AREA	3. State GA	4. NFIP Community Number 130041
B. NATIONAL FLOOD INSURANCE PROGRAM (NFIP) DATA AFFECTING BUILDING/MOBILE HOME			
1. NFIP Map Number or Community-Panel Number <i>(Community Name, if not the same as "A")</i> 1300410018 C	2. NFIP Map Panel Effective/ Revised Date 11/06/91	3. LOMA/LOMR <input type="checkbox"/> YES <input type="checkbox"/> DATE	4. Flood Zone X
5. No NFIP Map			
C. FEDERAL FLOOD INSURANCE AVAILABILITY <i>(Check all that apply)</i>			
1. <input checked="" type="checkbox"/> Federal Flood Insurance is available (Community participates in NFIP) <input checked="" type="checkbox"/> Regular Program <input type="checkbox"/> Emergency Program of NFIP 2. <input type="checkbox"/> Federal Flood Insurance is not available because community is not participating in the NFIP. 3. <input type="checkbox"/> Building/Mobile Home is in a Coastal Barrier Resource Area (CBRA) or Otherwise Protected Area (OPA) , Federal Flood Insurance may not be available . CBRA/OPA Designation Date: _____			
D. DETERMINATION			
IS BUILDING/MOBILE HOME IN A SPECIAL FLOOD HAZARD AREA (ZONES CONTAINING THE LETTERS "A" OR "V")? <div style="float: right;"> <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO </div>			
If yes, Flood insurance is required by the Flood Disaster Protection Act of 1973. If no, Flood insurance is not required by the Flood Disaster Protection Act of 1973.			
E. COMMENTS (Optional) : Regular Pgm. Entry Date: 06/15/78			
Service Type: Flood Zone Determination Determination #: 04122109162430		Requester: nbk2 Account ID: LWD-97160772	
Certified Address: 5420 RIVERDALE RD, COLLEGE PARK, GA 30349			
Census Data STATE CODE# 13 COUNTY CODE# MSA/MD# CENSUS TRACT# BLOCK GROUP#			
THIS FLOOD DETERMINATION IS PROVIDED TO THE LENDER PURSUANT TO THE FLOOD DISASTER PROTECTION ACT AND FOR NO OTHER PURPOSE. IT DOES NOT CREATE ANY PRIVATE CAUSE OF ACTION ON BEHALF OF THE BORROWERS AGAINST THE LENDER OR THE FLOOD DETERMINATION PROVIDER.			
This Determination is based on examining the NFIP map, any Federal Emergency Management Agency revisions to it, and any other information needed to locate the building/mobile home on the NFIP map.			
F. PREPARER'S INFORMATION:			
CBC Flood Services 520 East Main Street Carnegie, PA 15106 (800)575-4460			DATE OF DETERMINATION 12/21/04

EXHIBIT "D"
(Capital Reserve Analysis Chart)

**EPIC BROOKSIDE APARTMENTS
COLLEGE PARK, GEORGIA**

Project Estimate																			
Epic Brookside Apartments																			
12 Year Budget																			
College Park, Georgia																			
LOAN TERM																			
Building Component	Actual Age	Average Useful Life	Remaining Useful Life	Quantity	Units	Unit Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	TOTAL
1. Asphalt Seal Coat	N/A	5-7	0	22,000	Sq Yd	\$0.70					\$15,400						\$15,400		\$30,800
2. Exterior Paint	Varies	5	Varies	210	each	\$350.00					\$73,500						\$73,500		\$147,000
3. Roofing																			
4. Conditioning Units	Varies	12-15	0-3	50	each	\$650.00									\$6,500	\$6,500	\$6,500	\$6,500	\$32,500
5. Carpet	Varies	5	Varies	210	each	\$350.00				\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$178,497
6. Vinyl Flooring	Varies	5-7	Varies	210	each	\$200.00				\$4,666	\$4,666	\$4,666	\$4,666	\$4,666	\$4,666	\$4,666	\$4,666	\$4,666	\$41,994
7. Refrigerator	Varies	12	Varies	60	each	\$325.00									\$7,875	\$7,875	\$7,875	\$7,875	\$31,500
8. Range	Varies	12-15	Varies	60	each	\$260.00									\$3,900	\$3,900	\$3,900	\$3,900	\$15,600
9. Dishwasher	Varies	12	Varies	60	each	\$200.00									\$3,000	\$3,000	\$3,000	\$3,000	\$12,000
10. Furnace	Varies	12	Varies	5	each	\$600.00									\$3,000	\$3,000	\$3,000	\$3,000	\$12,000
11. Water Heater	Varies	12	Varies	10	each	\$300.00											\$1,500	\$1,500	\$3,000
Sub-Totals							\$0	\$0	\$0	\$24,499	\$113,389	\$24,499	\$24,499	\$24,499	\$45,774	\$45,774	\$137,674	\$77,774	\$524,891
Inflation (3%)							1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34	1.38	
Total							\$0	\$0	\$0	\$26,771	\$127,632	\$26,401	\$26,253	\$26,253	\$57,985	\$59,726	\$185,022	\$107,667	\$660,571
Total Area																			
# of Buildings/# of Units																			
Year Built/Age																			

Uninflated Avg. \$/Yr	\$ 43,741
Initiated Avg./Yr	\$ 50,048

Uninflated Avg. \$/Yr	\$ 43,741
Initiated Avg./Yr	\$ 50,048

EXHIBIT "E"
(Fannie Mae DUS Guidelines)

EXHIBIT "F"
(Photographs)

1. Entry signage monument and signage.



2. Front elevation of leasing office/community building.



3. End and rear elevation of leasing office/community building.



- 4 and 5. Swimming pool located adjacent to leasing office – deck repair and main drain addition required.



5.



6. Interior finishes of community building.



7. Bath in leasing/community building – not ADA compliant.



8. Maintenance storage area located in lower level of leasing/community building.



9 and 10. Interior finish and equipment in community laundry facility.



10.



11. Mail kiosk location and construction.



12. Community laundry location at the end elevation of the leasing/community building.



13 through 15. Typical elevation of various buildings.



14.



15.



16. Bath finishes and fixtures in typical unit.



17. Fiberglass tub and surround in typical unit.



18 and 19. Typical kitchen finishes and equipment – various units.



19.



20 and 21. Interior walls, light fixtures and windows in typical unit.



21.



22 and 23. Interior finishes and furnishings in model unit.



23.



24. Trash compactor in kitchen area.



25. Electric furnace in two-bedroom unit.



26. Gas fired commercial domestic water heater and condition.



27. Typical electrical meter and location.



28. Gas fired commercial domestic water heater and condition.



29. Circulating pump and copper plumbing for domestic hot water.



30. Galvanized pipe connection from underground piping to copper pipe at plumbing entry to building.



31. Natural gas line and meter location at the front elevation of the property.



32. Commercial water heater enclosure located at the end elevation of the buildings.



33. Typical storm drain inlet and sanitary sewer cover.



34 and 35. Retaining wall and area in need of landscape and drainage upgrade.



35.



36. Damaged concrete curb and walk area.



37. Typical asphalt drive area and condition.



38. Damaged concrete at entry area to common hallway.



39. Asphalt damage due to tree roots – repair from previous problem.



40. Wood/ground contact – potential for termite infestation.



41. Waterproofing completed at the end elevation – condition at several buildings.



42. Typical HVAC condensing unit and location.

